

An organization which engages in the publication of the anthologies of its members and which enters into contracts for programs on the radio and television based on the anthologies, serves as a vehicle for the publication of materials of its members by calling attention to their professional work and thereby increases the salability of the writers' efforts. Such organization is engaged in a business for profit and is not entitled to exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization which engages in the publication of the anthologies of its members and enters into contracts for programs on the radio and television based on the anthologies is entitled to exemption from Federal income tax as a business league under the provisions of section 501(c)(6) of the Internal Revenue Code of 1954.

The instant organization was formed for the purpose of (1) fostering and promoting the discussion of writing in a particular field; (2) publishing and producing works in this field in books and magazines, and on the stage, screen, and radio, by the sponsorship of trade magazines and books; (3) granting awards for works of merit; and (4) promoting and maintaining high standards in the writing, publishing and production of certain stories in this field. Its principal activity is the publication of anthologies which are compiled from stories furnished by members without compensation. However, the individual authors retain serial, reprint, and foreign rights to their own stories and frequently profit from subsidiary sales. Anthologies are also edited by members who donate their time and services. Title to the anthologies, which are sometimes sold for profit, vests in the organization.

The organization has negotiated with a broadcasting system for a series of radio and television programs based on stories written by both members and nonmembers for a substantial consideration. It has also entered into a contract with an agency to act as its sole and exclusive agent for the purpose of negotiating for the sale, lease, or other disposition, of a program on the radio or television based on one of the anthologies. The organization maintains a loan fund which was formed to assist needy members. The organization conducts writer's courses for the purpose of improving the standard of writing and helping young writers to enter the specified field. These courses are taught entirely by members who contribute their time and efforts with no remuneration. The organization also publishes a monthly bulletin which contains craft articles, market news, and lists of books and magazine stories published by members during the month. This bulletin is mailed to members, certain publishers, editors, and newspapers. The organization also acts as a clearing house of information for members and nonmembers since it receives many inquiries from agents and publishers about

authors, books, contracts, foreign markets, and magazine needs. Receipts are derived from dues, royalties from anthologies, fees for dinners, and contributions. Expenditures are made for salaries, refunds, foreign royalties paid to authors, anthologies purchased, meetings, dinners, awards, and various other expenses.

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

(6) Business leagues, chambers of commerce, real-estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 39.101(7)-1 of Regulations 118, made applicable herein by Treasury Decision 6091, C.B. 1954-2, 47, provides that:

A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. * * *

In the instant case, the organization, through its publication of anthologies and other activities, is used as a vehicle for publishing material of its members and calling attention to their professional work in order to enhance their reputations and to increase the salability of the members' own efforts. The organization is also engaged in a business through the publications of anthologies for profit and contractual arrangements for radio and television programs.

In view of the foregoing, it is held that the instant organization is not entitled to exemption from Federal income tax under the provisions of section 501(c)(6) of the Code.